

Message Text

LIMITED OFFICIAL USE

PAGE 01 EC BRU 01130 072035Z

64

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 RSC-01 CIEP-01 SP-02 STR-01

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 SS-15

NSC-05 L-02 PA-01 PRS-01 USIA-06 /083 W

----- 072436

R 071918Z FEB 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8255

INFO ALL EC CAPITALS 326

LIMITED OFFICIAL USE EC BRUSSELS 01130

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: A SWEET ENDING FOR EC-ACP PROTOCOL ON SUGAR

REF: (A) EC BRUSSELS 00952; (B) EC BRUSSELS 00180;

(C) EC BRUSSELS 00598

1. BEGIN SUMMARY: WITH THE COMPLETION OF NEGOTIATIONS BETWEEN THE EC AND ACP COUNTRIES ON FEBRUARY 1, 1975 (REF. A), ANOTHER CHAPTER HAS PASSED IN THE CONTINUING DRAMA OF HOW THE EC WILL ASSURE ITS SUGAR SUPPLIES IN THE SHORT AND LONGER TERM. FROM WHAT WE KNOW OF THE ACP SUGAR PROTOCOL IT APPEARS TO GO A LONG WAY TOWARDS STAISFYING THE UK'S DESIRE TO ASSURE ITS 1975 SUPPLIES AND THE ACP DESIRES FOR A LONG TERM ACCESS TO THE EC MARKET AT A GUARANTEED PRICE. END SUMMARY.

2. WE HAVE GLEANED THE FOLLOWING INFORMATION FROM PERMDEL AND COMMISSION SOURCES AND FROM PRESS RELEASES, BUT WE DO NOT YET HAVE A COPY OF THE PROTOCOL: THE SUGAR PROTOCOL OF THE EC ACP CONVENTION IS VALIED FOR AN INDEFINITE PERIOD. HOWEVER, A
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 EC BRU 01130 072035Z

PARTY TO THE PROTOCOL IS ALLOWED TO ANNOUNCE AFTER 5 YEARS THAT

IT WILL REVOKE THE PROTOCOL AFTER A FURTHER TWO YEARS; I.E., THERE IS A MINIMUM VALIDITY OF SEVEN YEARS. THE EC MUST HAVE UNANIMOUS APPROVAL OF THE COUNCIL TO REVOKE THE PROTOCOL.

3. THE CAP COUNTRIES HAVE AGREED TO SUPPLY BRITISH REFINERS IN CALENDAR YEAR 1975 WITH SUGAR A PRICE GUARANTEED BY THE UK OF POUNDS STERLING 260/MT C.I.F. WHITE SUGAR EQUIVALENT. A MINIMUM OF AROUND 400,000 MT WILL BE SUPPLIED DURING THE FIRST HALF OF THE YEAR. THE QUANTITIES FOR DELIVERY IN THE LAST HALF OF 1975 WILL BE DECIDED LATER THIS MONTH. AFTER 1975, ACP SUPPLIERS ARE ASSURED OF A MARKET FOR 1.4 MILLION TONS, MAXIMUM AT AN EC GUARANTEED PRICE (TO BE NEGOTIATED). THE PRICE WILL BE WITHIN THE RANGE OF EC INTERVENTION AND THRESHOLD PRICES, WHICH ARE FIXED ON A JULY 1- JUNE 30 MARKETING YEAR BASIS. EACH YEAR THE COMMISSION MUST CONSULT WITH THE ACP COUNTRIES BEFORE IT MAKES ITS PROPOSAL TO THE COUNCIL ON EC SUPPORT PRICES. THE EC GUARANTEED PRICE ACTS AS A FLOOR PRICE AND WILL BE SIGNIFICANT IN COMMERCIAL NEGOTIATIONS ONLY WHEN WORLD MARKET PRICES ARE BELOW EC SUPPORT PRICES. NOTHING PREVENTS AN EC TRADER FROM NEGOTIATING AT A PRICE HIGHER THAN THE EC GUARANTEED PRICE.

4. THERE HAS BEEN SPECULATION THAT IF WORLD PRICES REMAIN HIGH NEXT YEAR, THE ACP COUNTRIES MAY AGAIN DEMAND THAT THE UK GOVERNMENT (WITH EC APPROVAL) GUARANTEE A SUPPLEMENT ABOVE THE EC PRICE AS IT DID FOR 1975.

5. UK PERMREP AND COMMISSION SOURCES DIFFER ON THEIR ESTIMATES OF HOW MUCH SUGAR ACP COUNTRIES WILL CHOOSE TO EXPORT TO THE EC (MOSTLY TO THE UK) FOR 1975. UK SOURCES EXPECT UP TO ONE MILLION MT, WHILE COMMISSION SOURCES, POINTING TO HIGHER PRICES IN OTHER MARKETS, ARE NOT AS OPTIMISTIC. HOWEVER, CERTAIN ACP SUPPLIERS AGREED LAST WEEKEND TO SUPPLY AROUND 400,000 MT DURING THE FIRST HALF OF 1975 AND A UK SOURCE SAYS THAT MAURITIUS AND FIJI HAVE AGREED TO EXPORT TO THE EC 500,000 AND 140,000 MT RESPECTIVELY, DURING THE LAST HALF OF THIS YEAR. THE UK ESTIMATES THAT AFTER 1975, THE ACP COUNTRIES WILL SUPPLY THE EC ANNUALLY WITH AROUND 1.2. MILLION MT WHITE SUGAR EQUIVALENT.

6. LAST FALL, UNDER A PLAN PUT FORTH BY AN AGRICULTURAL COMMISSIONER LARDINOIS, THE EC AGREED TO SUBSIDIZE 200,000 LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 EC BRU 01130 072035Z

MT OF SUGAR THROUGH A SYSTEM OF COMPETITIVE BIDDING. THOSE TRADERS WHOSE BIDS ON IMPORT SUBSIDIES WERE ACCEPTED ARE ENTITLED TO EXPORT AN EQUIVALENT AMOUNT OF NEXT YEAR'S EC SUGARBEET LEVY-FREE. BRITISH REFINERS RECEIVED THE LION'S SHARE OF THE SUBSIDIZED IMPORTS (REF. B). AT ITS LAST MEETING OF JANUARY 20-21, THE EC COUNCIL AGREED THAT A SECOND TRANCHE OF 300,000 MT SHOULD BE SUBSIDIZED EITHER BY COMPETITIVE BIDDING OR DIRECT SUBSIDY (REF. C). THERE IS SPECULATION THAT THE

COMMISSION WILL CHOOSE TO SUBSIDIZE DIRECTLY THE SECOND TRANCHE AND POSSIBLY PROPOSE TO THE COUNCIL THAT A THIRD TRANCHE OF AROUND 200,000 MT BE SUBSIDIZED AS WELL TO ASSURE THE NEEDS OF EC MEMBER STATES OTHER THAN THE UK.

7. THE PRESS REPORTS THAT ITALY, GERMANY, AND THE NETHERLANDS MAY NEED IN THE CURRENT YEAR TO IMPORT A TOTAL OF UP TO 500,000 MT, 100,000 MT AND 50,000 MT RESPECTIVELY, FROM THE WORLD MARKET. SUPPLIES ON THE CONTINENTAL COMMUNITY MARKET ARE TIGHT WITH REPORTS THAT BRITISH REFINERS HAVE CONTRACTED AN ESTIMATED 550,000MT OF SUGAR THIS YEAR FROM THE SIX.

8. SOME ASPECTS OF THE EC SUGAR PROTOCOL ARE STILL UNKNOWN; FOR EXAMPLE, THE LEVEL OF INDIVIDUAL ACP COUNTRY'S QUOTAS, WHICH WILL NOT BE SET BEFORE FEBRUARY 14, 1975. MISSION WILL FORWARD FURTHER DETAILS OF IMPORTANCE ON THE PROTOCOL WHEN THEY BECOME AVAILABLE. GREENWALD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, TRADE AGREEMENTS, RELATIONS WITH REGIONAL ORGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU01130
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750046-0569
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750263/aaaacevv.tel
Line Count: 132
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 EC BRUSSELS 00952, 75 EC BRUSSELS 00180
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by MartinML>; APPROVED <19 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ETRD, EEC, ACP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006